

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2006-6-G - ORDER NO. 2006-389
JUNE 19, 2006

IN RE: Annual Review of Purchased Gas) ORDER APPROVING
Adjustments (PGA) and Gas Purchasing) AND ADOPTING
Policies of South Carolina Pipeline) SETTLEMENT
Corporation.) AGREEMENT

The above-captioned matter is before the Public Service Commission of South Carolina (“Commission”) on its annual review of the Purchased Gas Adjustments (“PGA”) and Gas Purchasing Policies of South Carolina Pipeline Corporation (“SCPC” or “Company”).

By Commission Order No. 87-1122, dated October 5, 1987, the Commission instituted an annual review of SCPC’s PGA and Gas Purchasing Policies. The period for review was January 1, 2005 to December 31, 2005 (“the review period”).

A Notice of Filing regarding SCPC’s PGA and Gas Purchasing Policies was prepared, and, pursuant to the instructions of the Commission’s Docketing Department, was published in newspapers of general circulation in the affected areas. Petitions to Intervene were received from the South Carolina Energy Users Committee (“SCEUC”), the Department of Public Utilities of the City of Orangeburg (“Orangeburg”), and Chester County Natural Gas Authority, Lancaster County Natural Gas Authority, York County Natural Gas Authority, and Patriots Energy Group (“PEG”).

The Commission conducted a formal hearing in this matter on June 6, 2006, beginning at 10:30 a.m. in the hearing room of the Commission with the Honorable Randy Mitchell, Chairman, presiding. Mitchell Willoughby, Esquire, and Patricia Banks Morrison, Esquire, represented SCPC. Scott Elliott, Esquire, appeared on behalf of SCEUC. Wendy B. Cartledge, Esquire, appeared on behalf of the Office of Regulatory Staff (ORS). Neither Orangeburg, nor PEG was represented at the hearing.

A Settlement Agreement among the parties was presented to the Commission, which is attached hereto as Order Exhibit No. 1. In addition, SCPC presented the testimony of Samuel L. Dozier, Michael P. Wingo, John S. Beier, and Thomas R. Conard, and ORS presented the testimony of Roy H. Barnette and Carey F. Flynt.

After careful review and consideration of the Settlement Agreement, the evidence of record, and the representations of counsel, the Commission concludes as a matter of law that (i) approval of the Settlement Agreement is in the public interest; (ii) SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent; (iii) SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period; (iv) SCPC managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders, and SCPC should be allowed to wind down its hedging program as it transitions to interstate operations; (v) SCPC's Industrial Sales Program – Rider should be continued without modification; and (vi) SCPC should continue to assign 20,000 dts per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted the Company during

the summer period of April through October of assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying load demand).

NOW THEREFORE, based upon the foregoing, **IT IS HEREBY DECLARED AND ORDERED THAT:**

1. The Settlement Agreement attached hereto as Order Exhibit No. 1 is accepted into the record without objection and is incorporated into and made part of this Order by reference. Further, the Settlement Agreement is found to be in the public interest and constitutes a reasonable resolution of this proceeding.

2. SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent.

3. SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period.

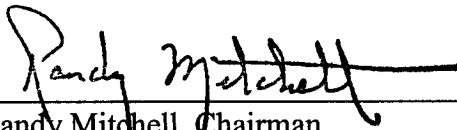
4. SCPC managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders. SCPC is allowed to wind down its hedging program as it transitions to interstate operations.

5. The Industrial Sales Program – Rider shall be continued without modification.

6. SCPC shall continue to assign 20,000 dts per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted the Company during the summer period of April through October of assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying load demand).

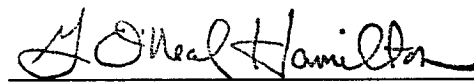
7. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Randy Mitchell, Chairman

ATTEST:



G. O'Neal Hamilton, Vice-Chairman

(SEAL)

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2006-6-G

May __, 2006

IN RE:

Annual Review of Purchased
Gas Adjustment and Gas Purchasing
Policies of South Carolina Pipeline
Corporation

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement Agreement") is made by and among the Office of Regulatory Staff ("ORS"), South Carolina Energy Users Committee ("SCEUC"), the City of Orangeburg, South Carolina ("City of Orangeburg"), Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, Patriots Energy Group,¹ and South Carolina Pipeline Corporation ("SCPC" or "the Company") (collectively referred to as the "Parties" or sometimes individually as a "Party");

WHEREAS, by South Carolina Public Service Commission ("Commission") Order No. 87-1122 dated October 5, 1987, the Commission instituted an annual review of SCPC's Purchased Gas Adjustment and Gas Purchasing Policies;

WHEREAS, on February 21, 2006, the Commission issued a revised notice of hearing and set return dates for the Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of SCPC;

¹ Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, and Patriots Energy Group are collectively referred to herein as "PEG."

1 WHEREAS, the purpose of this proceeding is to review matters related to SCPC's gas
2 purchasing policies and recovery of its gas costs;

3 WHEREAS, the period under review in this docket is January 1, 2005 to December 31,
4 2005 ("Review Period");

5 WHEREAS, prior to the filing of the revised notice of hearing, ORS served data requests
6 upon SCPC, and the Company provided responses addressing the information requested;

7 WHEREAS, ORS has examined the books and records of the Company and conducted
8 inquiries and analyses related to SCPC's purchased gas adjustment and gas purchasing policies;

9 WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-
10 captioned docket. There are no other parties of record in the above-captioned proceeding;

11 WHEREAS, the Parties have engaged in discussions to determine if a settlement of this
12 proceeding would be in their best interests;

13 WHEREAS, following those discussions the Parties have each determined that their
14 interests and the public interest would be best served by settling the above-captioned case under
15 the terms and conditions set forth below:

16 1. The Parties agree to stipulate into the record before the Commission the pre-filed
17 direct testimony of SCPC witnesses Samuel L. Dozier, Michael P. Wingo, John S. Beier, and
18 Thomas R. Conard, without objection, amendment, or cross-examination.

19 2. The Parties agree to stipulate into the record before the Commission the pre-filed
20 direct testimony of ORS witnesses Roy H. Barnette and Carey M. Flynt, without objection,
21 change, amendment, or cross-examination.

22 3. ORS is charged by law with the duty to represent the public interest of South
23 Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1)
24 through (3) reads in part as follows:

25 ... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the Settlement Agreement reached among the Parties serves the public interest as defined above.

4. The Parties further agree that the stipulated testimony of record will conclusively demonstrate the following: (i) SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent, (ii) SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period, (iii) SCPC managed its hedging program during the Review Period consistent with Commission orders, (iv) Because SCPC anticipates transitioning from its current intrastate pipeline operations to interstate operations under the jurisdiction of the Federal Energy Regulatory Commission in the Fall of 2006, the Company should be allowed to wind down its hedging program during the months leading up to its interstate conversion while not exceeding in any event the currently approved level of up to 75% of estimated gas purchases for firm customers, (v) SCPC's Industrial Sales Program Rider ("ISPR") should be continued without modification, and (vi) SCPC should continue to assign 20,000 dekatherms ("dts")/day of the least expensive daily delivered gas volume to the weighted average cost of gas ("WACOG") (subject to the flexibility granted the Company during the summer period of April through October of assigning 10,000 dts/day of the 20,000 dts/day requirement in accord with its varying load demand). For calendar year 2006 this obligation shall be a pro-rata obligation (as to the total requirements for the period of intrastate operations) and shall end when and if the Company transitions to interstate jurisdiction.

5. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

6. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty.

7. This Settlement Agreement shall be interpreted according to South Carolina law.

8. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

(SIGNATURE PAGES FOLLOW)

1 WE AGREE:

2 **Representing and binding the Office of Regulatory Staff**
3

4 Wendy B. Cartledge

5 Wendy B. Cartledge, Esquire

6 C. Lessie Hammonds, Esquire

7 Office of Regulatory Staff

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17 WE AGREE:

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19 **Representing and binding South Carolina Pipeline Corporation**
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25 Patricia Banks Morrison, Esquire

26 SCANA Corporation

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38 K. Chad Burgess, Esquire

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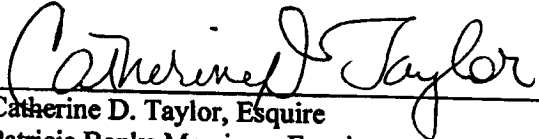
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6 _____
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17 WE AGREE:

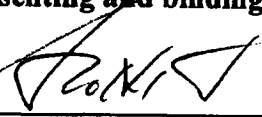
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19 **Representing and binding South Carolina Pipeline Corporation**
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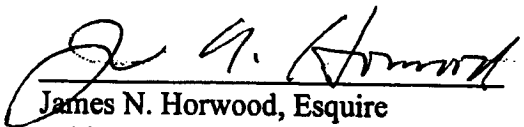
1 SCEUC has not independently reviewed (i) SCPC's gas purchasing policies and
2 practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales
3 Program Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of
4 the least expensive daily delivered gas volume to the weighted average cost of gas. SCEUC's
5 review of these matters is limited only to (i) SCPC's responses to ORS's Information Data
6 Requests Set No. 1 dated January 13, 2006; and (ii) the pre-filed direct testimony of SCPC's and
7 ORS's witnesses. Although SCEUC has not conducted an independent investigation into the
8 prudence of SCPC's gas purchasing policies and practices, SCEUC is aware that ORS has
9 conducted such an investigation, and by executing this Settlement Agreement, SCEUC hereby
10 supports the positions and conclusions of ORS as set forth in the pre-filed direct testimony of
11 ORS witnesses Roy H. Barnette and Carey Flynt.
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14 **Representing and binding South Carolina Energy Users Committee**
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17 
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2 The City of Orangeburg has not independently reviewed (i) SCPC's gas purchasing
3 policies and practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial
4 Sales Program – Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per
5 day of the least expensive daily delivered gas volume to the weighted average cost of gas. The
6 City of Orangeburg's review of these matters is limited only to (i) SCPC's responses to ORS's
7 Information Data Requests Set No. 1 dated January 13, 2006, and (ii) the pre-filed direct
8 testimony of SCPC's and ORS's witnesses. Consequently, the City of Orangeburg does not
9 represent that SCPC's practices have in fact been prudent. Rather, the City of Orangeburg's
10 execution of this Settlement Agreement is strictly limited to acknowledging that it does not
11 oppose or object to the Commission making the findings set forth above in Paragraph 3
12 applicable to the period under review.
13
14

15 **Representing and binding the City of Orangeburg**
16

17 
18
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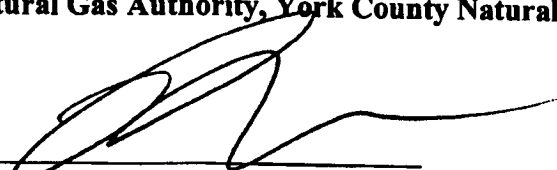
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GENERAL

1 PEG has not independently reviewed (i) SCPC's gas purchasing policies and practices,
2 (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales Program – Rider,
3 or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of the least
4 expensive daily delivered gas volume to the weighted average cost of gas. PEG's review of
5 these matters is limited only to (i) SCPC's responses to ORS's Information Data Requests Set
6 No. 1 dated January 13, 2006, and (ii) the pre-filed direct testimony of SCPC's and ORS's
7 witnesses. Consequently, PEG does not represent that SCPC's practices have in fact been
8 prudent. Rather, PEG's execution of this Settlement Agreement is strictly limited to
9 acknowledging that it does not oppose or object to the Commission making the findings set forth
10 above in Paragraph 3 applicable to the period under review.
11
12

13 **Representing and binding Lancaster County Natural Gas Authority, Chester County**
14 **Natural Gas Authority, York County Natural Gas Authority, and Patriots Energy Group**
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Order Exhibit 1
Docket No. 2006-6-G
Order No. 2006-389
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